

State of New Hampshire Drinking Water State Revolving Fund

Program Evaluation Report

**SFY 2022
(7/1/21 – 6/30/22)**

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I. INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) program was created in 1996 to assist public water systems in financing the costs of infrastructure needed to achieve and/or maintain compliance with and protect public health objectives of the Safe Drinking Water Act (SDWA). Section 1452 of the SDWA requires EPA to conduct an Annual Review to assess the State's progress in the implementation of its DWSRF program. The ultimate objective of the Annual Review is to ensure the program is designed and operated to provide ongoing assistance for drinking water activities while achieving the intent of the SDWA Amendments.

On November 15, 2021, President Biden signed the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) or 2021, (P.L. 117-58). The BIL appropriates more than \$43 billion to be administered through the existing CWSRF and DWSRF programs from federal fiscal years (FFYs) 2022 through 2026. During these fiscal years, the BIL created three annual appropriations in addition to the base DWSRF program:

- DWSRF General Supplemental,
- DWSRF Emerging Contaminants, and
- DWSRF Lead Service Line Replacement.

The BIL additionally made amendments to the SDWA Section 1452: reauthorized the DWSRF program at elevated amounts from FY 2022 through 2026, expands allowable forms of SDWA 1452(d) Disadvantaged Additional Subsidy, raises minimum SDWA 1452(d) Disadvantaged Additional Subsidy floor from 6% to 12%, made permanent the American Iron & Steel procurement requirements and added the Build America, Buy America procurement requirements.

This document, the Program Evaluation Report (PER), summarizes EPA's Annual Review of the New Hampshire DWSRF program for the period of SFY 2022 (7/1/21 – 6/30/22) and will serve as the basis for actions taken by the State and as a point of future reference for the Region. The Annual Review took place March 28-30, 2023 and was conducted in accordance with EPA's Annual Review Guidance, including a document review, discussions with state staff, and completion of nationally standardized programmatic, financial, and project file checklists.

II. PRE-ONSITE REVIEW

EPA reviewed the following documents prior to beginning the Review: Operating Agreement, Annual Report, State Environmental Review Process (SERP), Intended Use Plan (IUP), Independent Audit Report, Drinking Water SRF Data System Reports, Single Audit Report, Set-Aside Workplans, Federal Financial Accountability and Transparency Act (FFATA) Reports, and Compass Reports. This document review provided the information necessary to answer some of the questions in the Annual Review Checklist developed by EPA Headquarters and to complete the sections below.

a. Awards to Date and Summary DWSRF Statistics

The New Hampshire Department of Environmental Services received their FFY 2021 DWSRF capitalization grant for \$11,100,000 which included \$99,000 of reallotted funds, during SFY 2022. As of June 30, 2022, EPA has awarded the NH DES an amount of \$247,575,500 in DWSRF funding since the inception of the DWSRF program.

The pre-review provided EPA with a snapshot of the program's financial status, allowing EPA to determine compliance with binding commitment and small systems assistance requirements.

Key SFY 2022 and cumulative information on the program is listed in Table 1. Summary annual and cumulative statistics for New Hampshire's DWSRF program..

Table 1. Summary annual and cumulative statistics for New Hampshire's DWSRF program.

	SFY 2022	Cumulative as of 6/30/2022
Total State Match¹	\$2,220,00	\$51,176,380
Repayments (principal and interest)²	\$10,002,487	\$157,861,410
Interest Earnings on Investments³	\$191,290	\$4,565,247
Bond Proceeds⁴	\$0	\$0
Income from Fees⁵	\$2,201,926	\$27,537,668
<u>Binding Commitments:</u>		
Number of Agreements⁶	8	314
Dollar Amount⁷	\$6,712,506.38	\$334,742,718.27
Amount in Excess of Required Commitments		\$134,261,186
<u>Small Systems Assistance:</u>		
Number of agreements⁸	8	207
Dollar Amount⁹	\$6,712,506.38	\$186,368,506.38
Percent of Assistance Provided¹⁰	100%	59%
<u>Subsidy:</u>		
Number of Agreements¹¹	6	134
Dollar Amount (Subsidy portion only)¹²	\$752,010	\$31,199,869

Of the \$247,575,500 awarded, \$182,782,458 went to projects and the remaining \$64,793,042 went to set-aside activities. A summary of set-aside obligations and balances can be found in Table 2.

Table 2. Set-Aside amounts obligated, expended and reserved as of June 30, 2022.

¹ DWNIMS lines 34 and 35, respectively.

² DWNIMS lines 283 and 286, respectively.

³ DWNIMS lines 296 and 297, respectively.

⁴ DWNIMS lines 252 and 260, respectively.

⁵ DWNIMS lines 303 and 304, respectively.

⁶ DWNIMS lines 135 and 136, respectively

⁷ DWNIMS lines 129 and 130, respectively.

⁸ Annual value is the sum of DWNIMS lines 144, 145 and 146. Cumulative from "dwcsizereg" report.

⁹ Annual value is the sum of DWNIMS lines 137, 138 and 139. Cumulative from "dwcsizereg" report.

¹⁰ Annual value is the sum of DWNIMS lines 137, 138 and 139, divided by DWNIMS line 142. Cumulative from "dwcsizereg" report.

¹¹ DWNIMS lines 193 and 194, respectively.

¹² DWNIMS lines 191 and 192, respectively.

	4% Admin.	2% Technical Assistance	10% State Program Management	15% Local Assistance
Total Amount Obligated	\$9,007,554	\$4,951,510	\$20,035,034	\$30,798,444
2022 Amount Expended	\$391,883	\$136,840	\$864,696	\$1,653,937
Total Amount Expended	\$8,615,671	\$4,814,670	\$19,170,338	\$29,144,507
Balance as of 6/30/2022	\$407,842	\$525,158	\$975,274	\$2,055,096
Reserved Authority	\$965,826	\$0	\$4,722,516	N/A

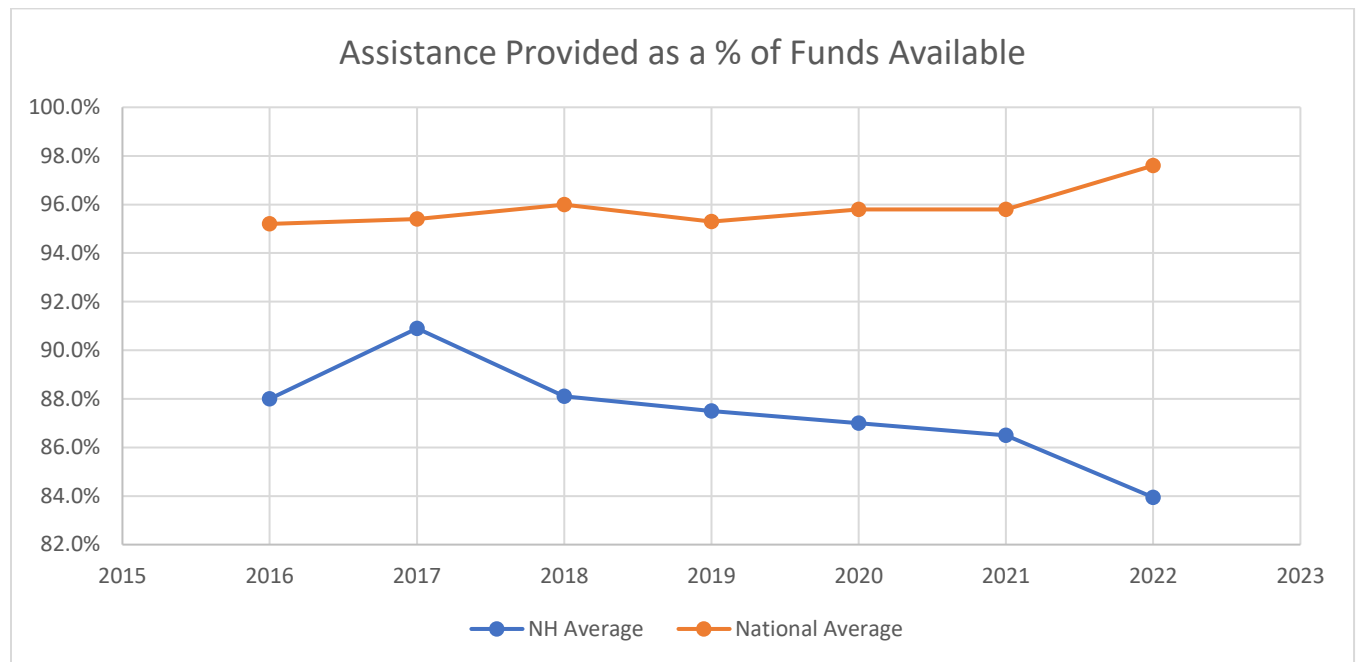
b. Financial Indicators¹³

Many of the indicators are incorporated into the Government Performance and Results Act (GPRA) annual performance goals for the DWSRF program. These financial indicators are tools which help us understand and assess a State's SRF program within our Region and are calculated using the data which the State provides in the DWSRF Data System report each year.

The **Assistance Provided as a % of Funds Available** indicator measures the dollar amount of executed loan agreements to the cumulative dollar amount of funds available for loans. It is one indicator which measures the **Pace** of the program, by gauging how quickly funds are made available to finance DWSRF projects. This indicator has a wide range of values and can exceed 100% for those states that have adopted an advanced loan approval approach. The advanced loan approach makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. New Hampshire is proceeding to convert its DWSRF available funds into executed loans at a rate of 83.9%. As indicated in the chart below, the State has reported a decreasing pace since its peak in SFY 2017 and is evaluating the causes of the declining pace in its effort to improve this metric over time.

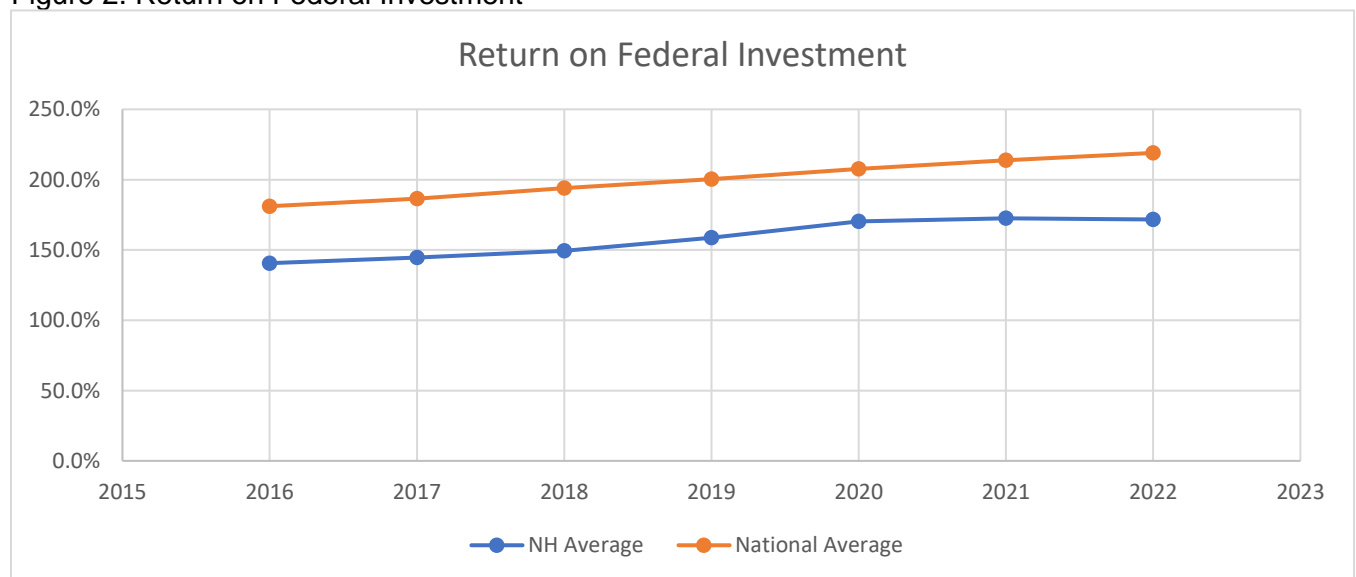
¹³ Indicators are provided under EPA memoranda: Implementation of DWSRF Financial Indicators dated February 23, 2003 and EPA Memoranda: "Implementation of Additional SRF Financial Indicators" dated April 26, 2018.
https://usepa.sharepoint.com/sites/OW_Work/srf/SRFLibrary/Shared%20Documents/Memos/Implementation%20of%20Additional%20SRF%20Financial%20Indicators.pdf

Figure 1. Assistance Provided as a % of Funds Available



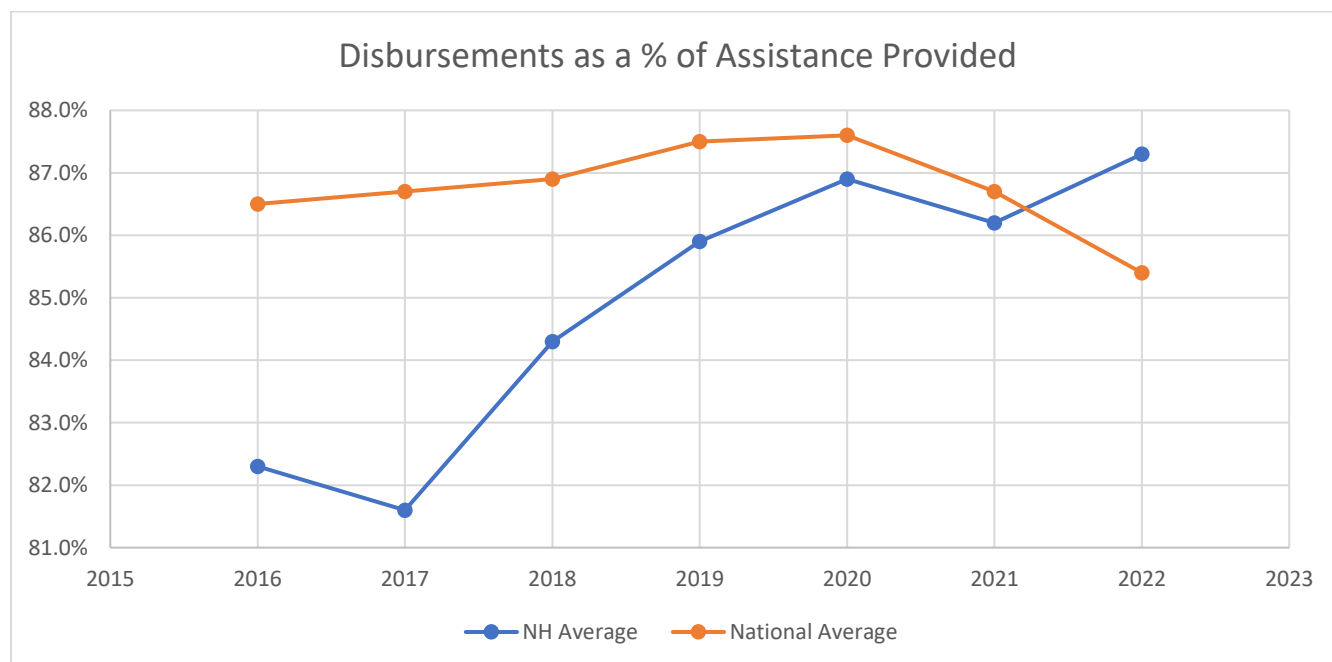
The **Return on Federal Investment** indicator shows how many dollars of assistance were disbursed to eligible borrowers for each Federal dollar spent. The State of New Hampshire is disbursing funds at a rate of 171.7%, which is fairly consistent with last year's reported value of 172.5%. As reflected in the chart below, the State has seen a steady increase in this metric since SFY 2016. Despite the fact that the State falls below the National Average within this metric, the pattern closely resembles the national trend as presented in the chart. This indicates that for every federal dollar expended, approximately \$1.72 of assistance is disbursed through New Hampshire's DWSRF program.

Figure 2. Return on Federal Investment



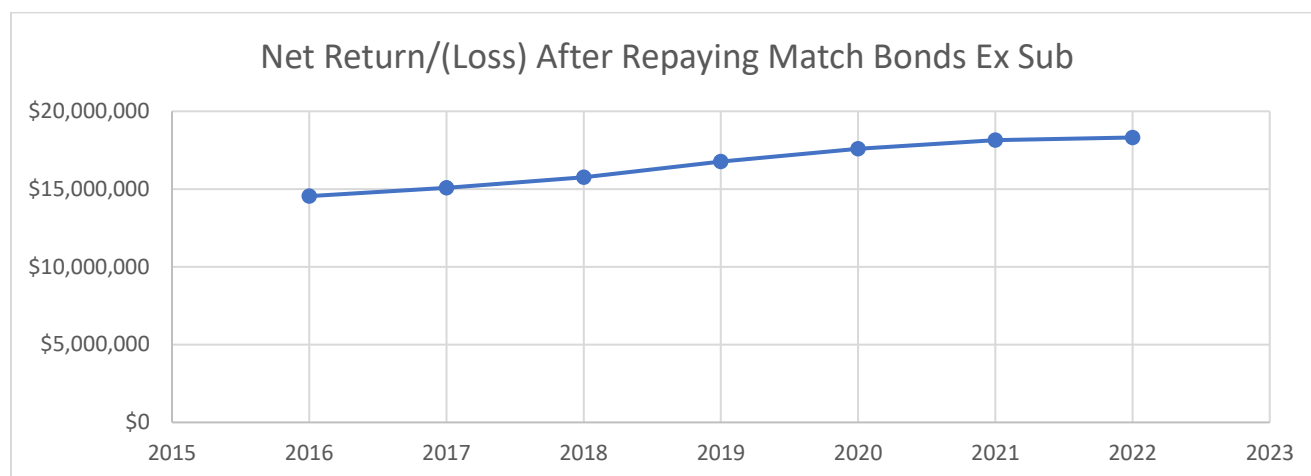
The **Disbursements as a Percent of Assistance Provided** indicator measures the *speed* at which projects are proceeding to completion. This indicator shows the relationship between loan disbursements and the amount of funding provided. This indicator has a wide range of values but should not exceed 100% as that would indicate disbursing funds in excess of the funds committed. New Hampshire is proceeding at a rate of 87.3%, which is an increase from last year's value of 86.2%. As shown in the graph below, the State has exceeded the National Average for SFY 2022, reflecting an efficient disbursement of funds to the State's recipients. This indicator reflects how efficient New Hampshire's DWSRF program is at disbursing funds to its borrowers, which is a crucial factor in improving critical water infrastructure needs for the communities in New Hampshire.

Figure 3. Disbursements as a Percent of Assistance Provided



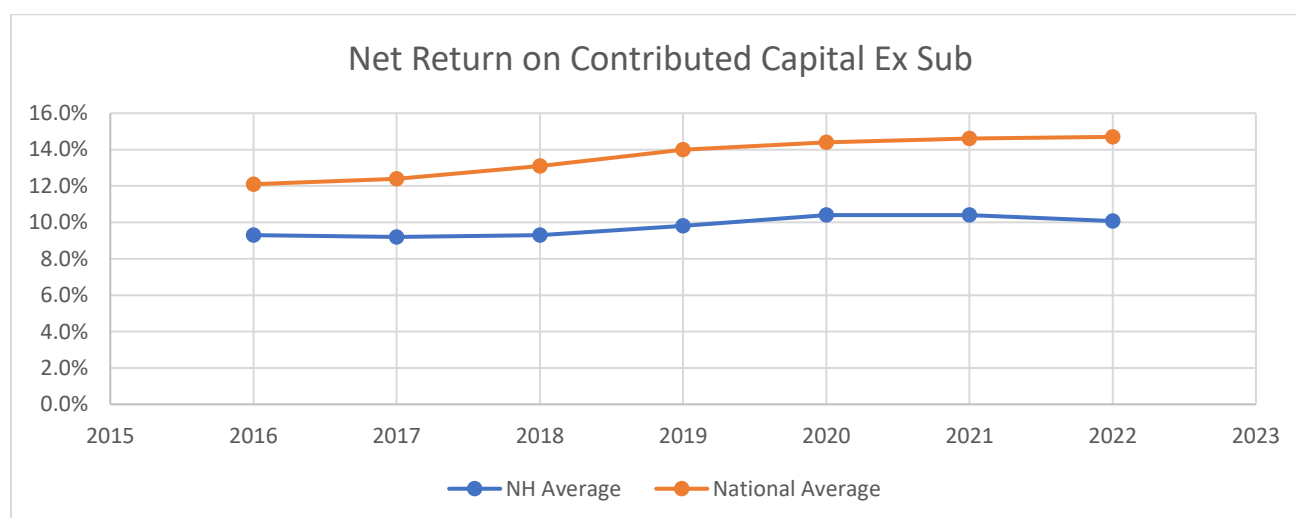
The **Net Return after Repaying Match Bonds Excluding Subsidy** indicator shows the net earnings of the DWSRF after any State Match Bonds are repaid and any Loan Principal is forgiven, thereby showing how well the DWSRF is maintaining its' invested and contributed capital. The indicator is expressed in *dollar* amounts. A positive value indicates that the revenues of the fund are meeting expenses after any state match bonds are repaid and any loan principal is forgiven. Additionally, a positive value shows that the DWSRF is maintaining its contributed capital. Conversely, a negative value indicates that expenses are exceeding revenues after any state match bonds are repaid and any loan principal is forgiven. New Hampshire had a net return of \$18,315,642, as of June 30, 2022. New Hampshire has reported a consistently increasing Net Return since SFY 2016, as reflected in the graph below. This demonstrates the State's ability to generate sufficient capital to sustain perpetuity of the program into the future.

Figure 4. Net Return after Repaying Match Bonds Excluding Subsidy



The **Net Return on Contributed Capital Excluding Subsidy** indicator is expressed as a *percentage* showing the Net Return on the invested/contributed capital after repaying any State Match Bonds and after forgiving any Loan Principal. While the previous financial indicator was expressed in dollar amounts, this financial indicator is expressed as a percentage. This indicator estimates the growth of the DWSRF relative to the investment earnings and to the Federal and State contributed capital. A positive value indicates the Fund's growth, and a negative value indicates a net loss. As of June 30, 2022, New Hampshire has a net return of 10.1%, which is a slight decrease from last year's figure of 10.4%. Overall, as noted in the chart below, the State has maintained a consistent Net Return on Contributed Capital since SFY 2016 even though the rate is below the National Average.

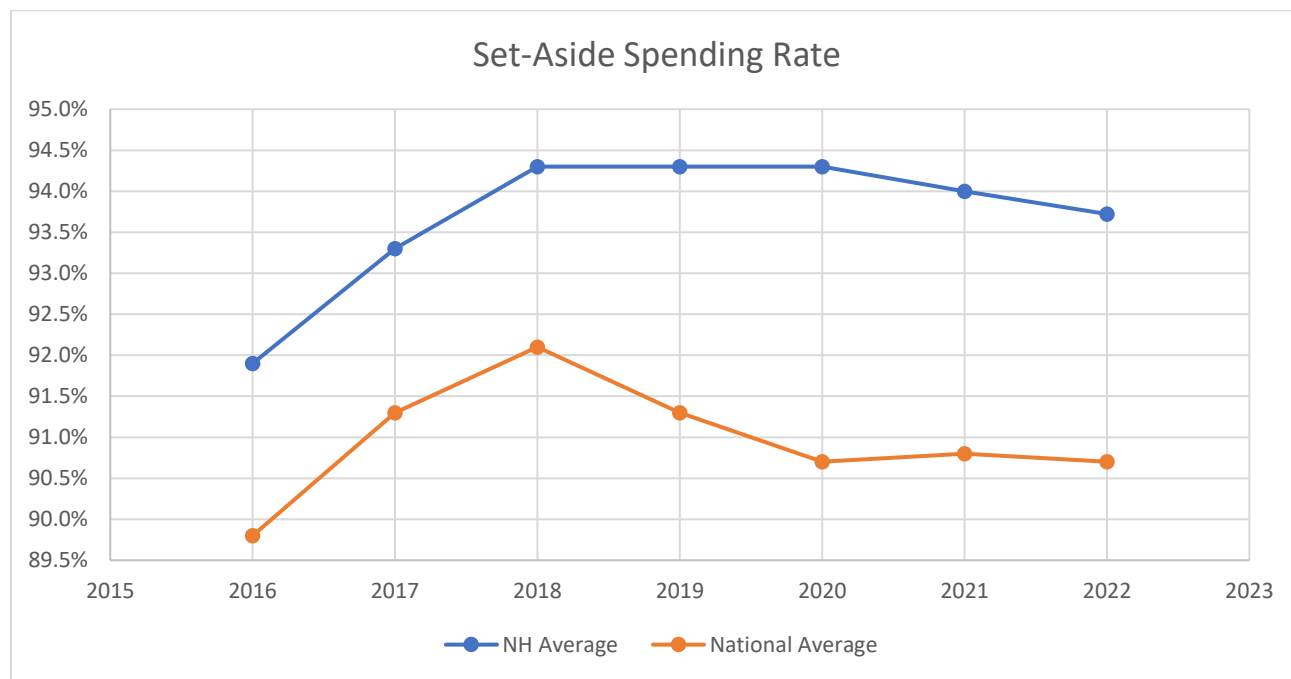
Figure 5. Net Return on Contributed Capital Excluding Subsidy



The **Set-Aside Spending Rate** indicator depicts the pace of the state set-aside program by expressing, as a percent, the rate of expenditure of all of the money which has been placed into all of the set-aside accounts New Hampshire's expenditure rate is 93.7%, which is a slight decrease from last year's value of 94%. This high spending rate has been consistent over the past several years and shows good utilization of the allowed set-aside funds. As indicated in the

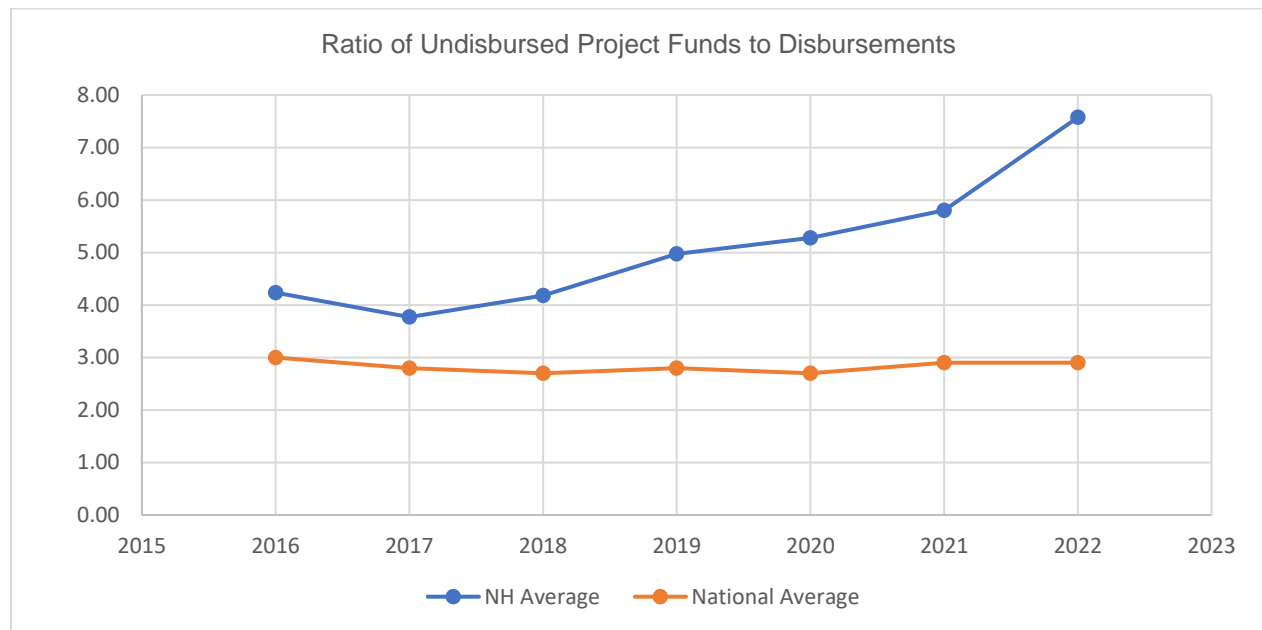
graph below, the Set-Aside Spending Rate has been consistent since SFY 2018. The strong utilization of set-aside funds reported over the past few years is illustrative of the State's efficient use of these funds to further enhance the State's program.

Figure 6. Set-Aside Spending Rate



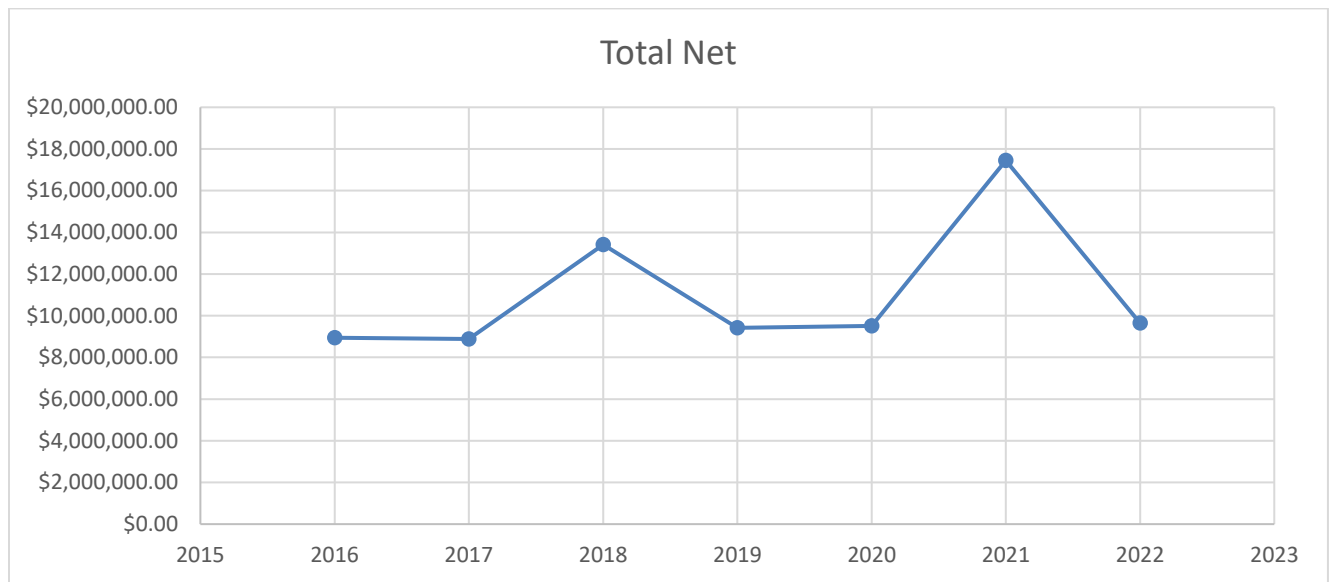
The **Undisbursed Funds to Average Disbursements (Years to Disburse)** evaluates how efficiently SRF funds are revolving (and thus, balancing inflows and outflows) by examining a program's disbursement rate over a set time period and comparing it to the amount of cash on hand. The results of this measure reflect the number of years it would take to spend the cash on hand assuming the future disbursements are consistent with average annual disbursements over the past three years. This new indicator shows that New Hampshire has 7.57 years' worth of undisbursed cash on hand, which is a significant increase from last year's value of 5.81 years. As stated in the Financial Checklist meeting, the reasoning for this increase was due to the State prioritizing the use of ARPA funds over SRF funds as they have a shorter deadline to be disbursed. This indicator shows New Hampshire has been revolving their funds in a slow manner as represented by the uptick in undisbursed funds over the past few years. New Hampshire has been above the National Average every consecutive year since SFY 2016. Once the State has fully expended their ARPA funds, they should make an effort to reduce their undisbursed funds to narrow the gap between the State and the National Average, considering the steep increase from last year.

Figure 7. Undisbursed Funds to Average Disbursements (Years to Disburse)



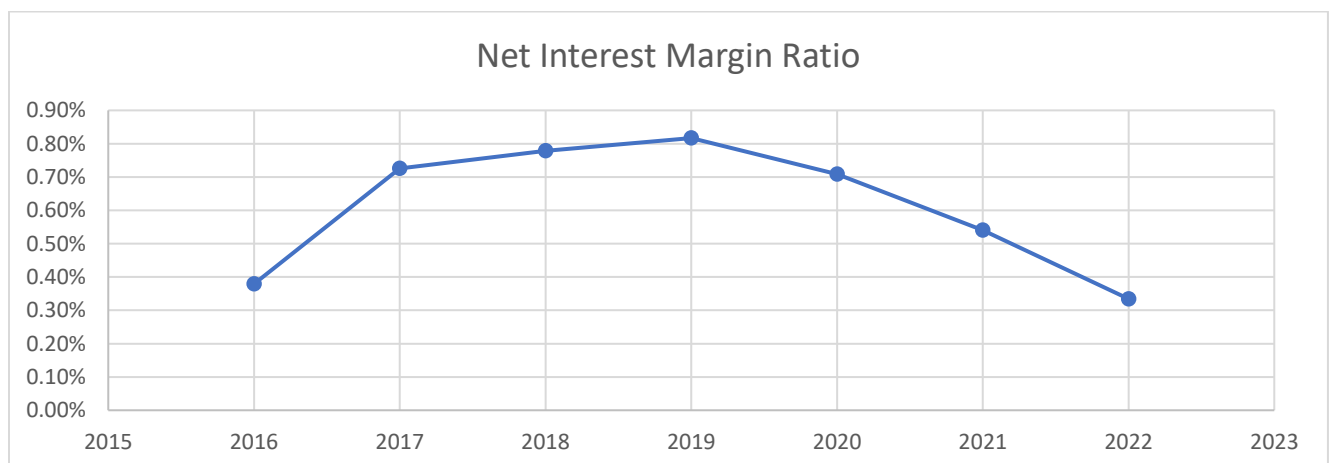
Total Net measures the extent by which internal growth is generating additional funding for new projects. It accomplishes this by taking the total cash inflows generated by ongoing loan and investment activity and subtracting out debt service payments from outstanding match and leveraged bonds. New federal capitalization grants and leveraged bond issues are also excluded from this calculation. This measure reflects the amount of new annual project funding generated solely from net repayments. New Hampshire's total net is \$9,647,567, which is a decrease from last year's value of \$17,446,942. This decrease is likely due to the current macroeconomic environment of rising interest rates impacting investment activity of many public and private institutions. This metric indicates New Hampshire is continuing to grow their program despite the decrease shown for this year. Moving forward, the external rising interest rates could make the State's program more attractive as the State will be able to provide a lower interest rate on future loans to local recipients compared to other lenders.

Figure 8. Total Net



Net Interest Margin measures the net rate of return (as a percentage) the SRF is generating from its Total Assets through loans and investments after accounting for the interest expenses associated with match and leveraged bonds. It differs from the existing Retained Earnings metric because it does not include Match Bond Principal as an expense. New Hampshire's net interest margin is 0.33%. As shown in the chart below, the State has experienced a decreasing Net Interest Margin since its peak reported in SFY 2019. This is attributed to the fact that the State has not been collecting as much in annual loan and investment interest compared to prior years. This is likely due that that up until the past 6-12 months interest rates were low, causing SRF programs to experience difficulties when competing with private lenders offering more competitive interest rates on loans. Additionally, investments have been negatively impacted by the ongoing economic fluctuations experienced over the past 12 months. Now that interest rates have been rising, the SRF program will once again become more competitive to private lenders as the SRF will be able to provide more competitive interest rates over other sources of lending.

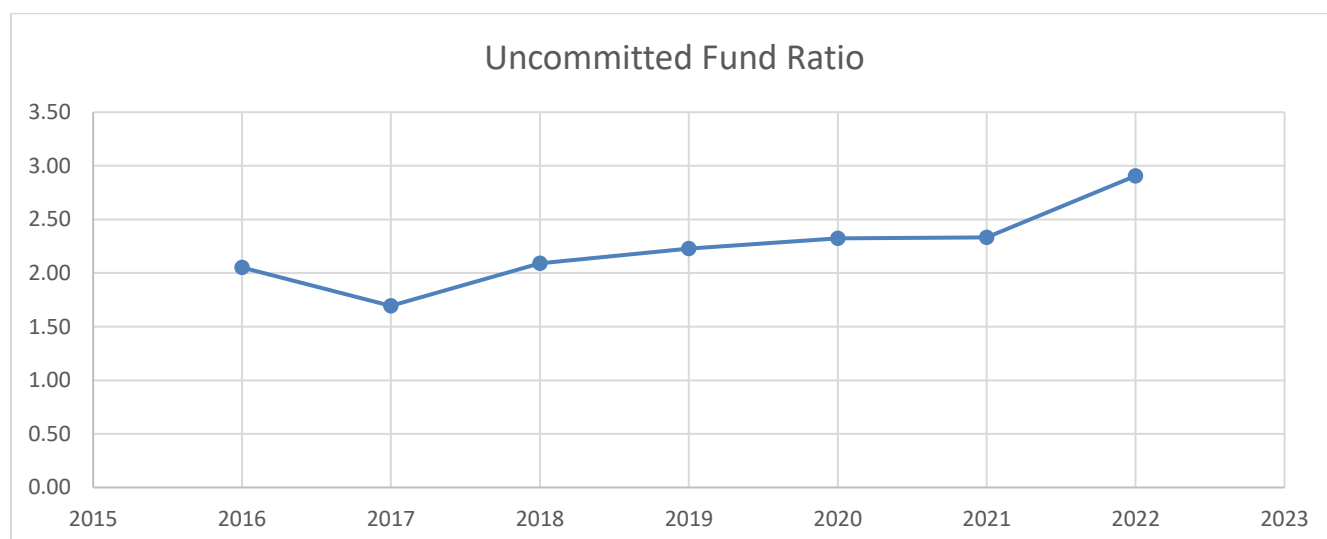
Figure 9. Net Interest Margin



c. *Uncommitted Funds*

EPA Headquarters has developed a ratio to assist the EPA Regions on assessing the amount of uncommitted funds that a state has at the end of each fiscal year. Uncommitted funds include federal and non-federal funds, repayments, state match, interest earnings, and bond proceeds (when applicable). The ratio is calculated by taking the amount of all available (uncommitted) funds at the end of the fiscal year and determining how many years it would take to draw down that amount based on the average drawdown rate over the last 3 years of disbursements. The unofficial goal is to have a ratio less than 2.0 which represents having less than 2 years of uncommitted funds. As of June 30, 2022, New Hampshire has an uncommitted fund ratio of 2.91, which is an uptick compared to last year's figure of 2.33. The State has exceeded the unofficial goal of 2.0 for every year except SFY 2017. The State should make an effort to reduce uncommitted funds in order to achieve the EPA's goal of an uncommitted funds ratio under 2.0. By reducing Uncommitted Funds, the State can better improve their water infrastructure needs of the local communities it serves.

Figure 10. Uncommitted Funds



d. *Unliquidated Obligations*

Unliquidated Obligations (ULOs) are funds that have been awarded or obligated to the state and have not yet been drawn down or used for their intended purposes. For the DWSRF program, this includes both funds that have been reserved for construction projects and funds that have been reserved for set-aside activities.

In an effort to reduce ULOs in the DWSRF program, EPA Headquarters developed a National ULO Reduction Strategy in April 2014. This established a goal to have all capitalization grants fully expended within two years of their award date. As of June 30, 2022, the total ULO for the New Hampshire DWSRF program was \$16,601,531.28, which is comprised of balances from the 2019, 2020, and 2021 capitalization grants. Details are shown in Table 3.

Table 3. New Hampshire DWSRF unliquidated obligations (ULOs) as of 6/30/22.

Capitalization Grant	Balance of Funds as of 6/30/22		
	<u>Total</u>	<u>Projects</u>	<u>Set-Asides</u>
FFY 2019	\$82,938.44	\$0	\$82,938.44
FFY 2020	\$5,589,476.72	\$4,979,160.72	\$610,316.00
FFY 2021	\$10,929,116.12	\$7,659,000.00	\$3,270,116.12
Totals ULOs	\$16,601,531.28	\$12,638,160.72	\$3,963,370.56
Total Obligations (to date)	\$247,369,393	\$182,782,458	\$64,586,935
ULO percentage¹⁴	6.7%	6.9%	6.1%
Regional Average ULO Percentage	3.9%	3.6%	5.0%
National Average ULO Percentage	3.2%	2.4%	7.1%

ULO goals were discussed during the onsite review. The state runs additional funding sources alongside the DWSRF including the Drinking Water and Ground Water Trust Fund and the American Rescue Plan Act (ARPA) funding. These additional programs provide some competition with the DWSRF program in terms of utilizing DWSRF funds. Despite this challenge, the New Hampshire DWSRF program is very close to meeting the 2 open capitalization grant target of the ULO Reduction Strategy with only a small amount of project funding in the 2019 grant as of the end of state fiscal year 2022.

e. Financial Audit

Independent financial audits are conducted annually to determine whether SRF financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB). Additionally, the audit should determine if there are any weaknesses in internal controls with regard to the oversight of SRF funds and if the state is in compliance with respect to laws, regulations and the provisions of SRF capitalization grants.

On December 26th, 2022 KPMG, LLP issued their “State of New Hampshire Independent Auditors’ Report of the Financial Statements” for Year Ending June 30th, 2022 of the financial statements and their associated notes to the financial statements that included both the DWSRF and CWSRF state programs. The State of New Hampshire received an unmodified opinion on the financial statements of both SRF programs reported in the Statewide Single Audit. None of the material weaknesses or significant deficiencies concern the SRF program in relation to financial reporting as well as internal controls of federal awards. The Statewide Single Audit conducted of the State of New Hampshire includes the SRF program reporting as the New Hampshire Department of Environmental Services does not conduct a separate, program specific independent audit for the SRF program. The State of New Hampshire’s Statewide Single Audit was completed in accordance with US GAAP as well as US GAAS. A prior finding from the 2020 Statewide Single Audit has since been resolved as the EPA supported New

¹⁴ The ULO percentage is calculated by dividing the total ULO dollar amount by the total obligated funds since the inception of the program and multiplying that value by 100.

Hampshire Department of Environmental Service's position with no further action necessary as noted in the 2022 Statewide Single Audit.

III. FINANCIAL REVIEW

EPA Region 1 Financial Analysts thank state staff for making themselves available for interviews and meetings during the financial review. The information gathered during interviews with state staff was used to complete the Annual Review Checklist and Transaction Testing Worksheet developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place.

a. Transaction Testing

In accordance with the EPA's Oversight Plan, Table 4 shows the 4 cash draws reviewed for the DWSRF program. The DWSRF program has been deemed low risk and therefore there are no selected cash draws by EPA's Office of the Chief Financial Officer (OCFO) to review this fiscal year.

Table 4. Cash draws selected for transaction testing.

Date of Cash Draw	Amount of Cash Draw	Description of Transaction
9/3/2021	\$255,642.07	Loan draw from grant # FS99115019
10/18/2021	\$234,346.80	Set-aside draw from grant # FS99115019
1/13/2022	\$701,817.57	Set-aside draw from grant # FS99115020
6/21/2022	\$170,883.88	Set-aside draw from grant # FS99115021

These transactions did not duplicate any of the transactions sampled during previous reviews and all the items appeared to be eligible under the DWSRF program. The back-up documents associated with these payment requests were reviewed in detail to complete the transaction testing worksheets developed by EPA Headquarters. EPA Region 1 found New Hampshire Department of Environmental Services staff to be very cooperative in providing well-organized documentation for the draws requested and answering any questions asked.

Review of the above transactions determined that each cash draw transaction occurred within a timely manner and that there were no improper payments.

b. Proportionality

The State of New Hampshire utilizes 77.5% - Federal and 22.5% - State Match proportionality cash draw ratio for the Fiscal Year 2021 Capitalization Grant when disbursing project funds to recipients. The Fiscal Year 2022 Base Capitalization Grant will utilize the same proportionality as previously mentioned. However, the Fiscal Year 2022 Supplemental Capitalization Grant will utilize 87.34% - Federal and 12.66% - State Match proportionality when drawing from the grant. These proportionality ratios apply to project funds and are not applicable to set-aside draws. The 77.5% - Federal to 22.5% - State Match proportionality was utilized on the DWSRF project cash draw that was examined during this current annual review.

c. State Match

The State of New Hampshire was able to provide sufficient documentation reporting the state match deposit within the State's accounting system. The amount deposited is sufficient enough to cover the base and supplemental state match required for the Fiscal Year 2022 grants. As mentioned in the Financial Checklist meeting, the State has secured the match for the Fiscal Year 2023 and is in the process of budgeting out the Fiscal Years 2024 and 2025 state matches from the State's Biennial Capital Budget. State accounting records report a deposit of \$3,690,567, which exceeds the amount required for the Fiscal Year 2022 base and supplemental capitalization grants of \$3,200,800 (20% of base and 10% of supplemental grant awards reported in the EPA Compass database).

IV. PROGRAMMATIC REVIEW

EPA Region 1 project officers thank state staff for making themselves available for interviews and meetings during the programmatic review. The information gathered during interviews with state staff was used to complete the Annual Review Checklist and Project File Review Checklist developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place.

a. Project File Reviews

In accordance with the EPA's Oversight Plan, Project File Review Checklists were completed for the following 2 DWSRF projects:

Project Files for this Review

<i>New Hampton Village Precinct [NH1691010]</i>	\$200,000
<i>Water Treatment Improvements Project</i>	Loan Date: 8/4/2021
<i>Town of Charlestown [NH041101]</i>	\$3,002,300
<i>Charlestown Interconnection Project</i>	Loan Date: 3/23/2022

Project, construction, and administrative loan files were examined to ensure that projects are managed consistent with federal regulations and policies governing the DWSRF program.

Files were checked for the inclusion of documentation supporting the following requirements:

<i>Requirements</i>	<i>All DWSRF Projects</i>	<i>DWSRF Equivalency Requirements</i>
<i>American Iron and Steel (AIS)</i>	X	
<i>Bidding Process</i>	X	
<i>Cross-cutters: Environmental</i>		X
<i>Cross-cutters: Socio-economic</i>		X
<i>Cross-cutters: Super (Civil Rights)</i>	X	
<i>Davis Bacon Wage Requirements</i>	X	
<i>Disadvantaged Business Enterprise (DBE)</i>		X
<i>Federal Funding Accountability and Transparency Act (FFATA)</i>		X
<i>Generally Accepted Government Accounting (GAAP)</i>	X	
<i>Inspection Reports</i>	X	

<i>Environmental Review based on SERP</i>	X	
<i>Project Eligibility</i>	X	
<i>Project Useful Life</i>	X	
<i>Signage</i>		X
<i>Single Audit</i>		X
<i>Telecomm Equipment & Services</i>		X
<i>Technical, Financial and Managerial Capacity</i>	X	

All necessary documentation was available for review by the time that EPA began the review. It is recommended that all inspection reports be fully completed and notated if a section does not apply to that particular project.

b. Equivalency

New Hampshire applies equivalency to the following requirements:

- Federal Financial Accountability and Transparency Act (FFATA)

All other equivalency requirements including federal crosscutters, Disadvantaged Business Enterprise (DBE), Single Audit Act, Signage, Telecommunications Prohibition, and the Federal Flood Risk Management Standard are applied to all DWSRF projects, regardless of source of funding.

c. FFATA Reporting

FFATA applies to all federal funding awarded after October 1, 2010. FFATA requirements are considered met when loan, contract, and set-aside activity has been reported to www.frs.gov in an amount equivalent to the full capitalization grant. Satisfied FFATA reporting amounts as of June 30, 2022 are shown in Table 5.

Table 5. FFATA Requirements

Grant	Required Amount	Already Reported	Left to be Reported
2021	\$11,100,000.00	\$11,100,000.00	\$0

d. Additional Subsidy Requirements

EPA would like to commend the State on providing detailed disbursement information on additional subsidy on projects that were counted towards the 2019, 2020, and 2021 capitalization grants as of 6/30/22. The additional subsidy should be committed in executed loan agreements by the end of the fiscal year by the end of the federal fiscal year following the appropriations year. The additional subsidy requirement is considered met when the minimum subsidy funds have been disbursed. As of 6/30/22, the 2019, 2020, and 2021 additional subsidy requirements have not been met. See Table 6. Additional Subsidy Disbursements for Open Grants below for more information.

Table 6. Additional Subsidy Disbursements for Open Grants

Grant	Requirement	Committed as of 6/30/22	Disbursed as of 6/30/22
2019	Minimum - \$2,861,040, \$660,240 MUST be to DACs Maximum - \$6,052,200	\$2,895,862	\$2,833,387.97
2020	Minimum - \$2,202,200, \$660,660 MUST be to DACs Maximum - \$5,395,390	\$2,253,791	\$1,305,709.27
2021	Minimum - \$2,200,200, \$660,060 MUST be to DACs Maximum - \$5,390,490	\$660,100	\$0

e. Set-Aside Summary

During SFY22, the set-aside activity has followed the approved workplans that the NH DES submitted as part of their 2021 capitalization grant application. As a reminder, please provide copies of any new contracts to EPA for review. NH has consistently funded innovative grant programs through their set-asides and continues to be a leader in the Region for creative and effective use of the set-aside funds. There has been on-going success of the leak detection grants, asset management grants, and source water protection grants. The state has used the 15% local assistance set-aside to promote source water protection, emergency planning, and sustainability. AWIA added requirements for emergency planning and the state used the set-asides to provide outreach and educational bulletins monthly on specific topics to help water systems develop emergency plans. There will also be a large effort in the upcoming year to fund contracts to develop lead service line inventories which will also receive ARPA funding.

f. Justice40

In January 2021, Executive Order 14008 – Tackling the Climate Crisis at Home and Abroad announced Justice40, which mandates that at least 40% of the benefits of certain federal programs must flow to disadvantaged communities. In July 2021, EPA received Interim Guidance to support implementation of Justice40. This guidance included six EPA programs as part of the Justice40 pilot including the DWSRF.

Table 7. Hardship or Disadvantaged Community Funding

	SFY 2022	Cumulative as of 6/30/22
<i>Number of Agreements</i> ¹⁵	5	147
<i>Dollar Amount</i> ¹⁶	\$5,532,500	\$148,638,889
<i>Additional Subsidy to DAC</i> ¹⁷	\$660,010	\$31,362,791

The state has a tremendous focus on small and disadvantaged communities. There is a lot of hand holding to get them through the funding process and the state has added a small systems session to their annual SRF workshop for potential applicants. NH has developed a handout to promote the DWSRF and additional subsidy to disadvantaged communities and shared that with Rural Development, NH Water Works Association, and Granite State Water Works Association. The Intended Use Plan includes an option for 30-year loan terms for DACs.

Priority points are given if the water system is a DAC, and they receive more points the more disadvantaged that they are. The state has also updated the income survey form to include several funding programs (including Rural Development and Community Development Block Grants) to help RCAP have one consistent form and decrease information collection for DACs.

g. Climate Resiliency

The state adds priority points to a project if it includes resiliency. There is a new position that has been added, Resiliency Adaptation Manager, which is shared between CWSRF and DWSRF. Additionally, there is a contract funded through ARPA to conduct vulnerability assessments that will be incorporated in asset management plans. Each bureau within NH DES also has a climate team with a workplan across programs that includes projects to increase climate resiliency.

¹⁵ NIMS lines 187 and 188, respectively.

¹⁶ NIMS lines 189 and 190, respectively.

¹⁷ NIMS lines 191 and 192, respectively.

h. Capitalization Grant Closeouts

Table 8. Open Capitalization Grants and Requirements Met

Grant	FFATA Reporting	Subsidy Commitments	Final Financial Status Report (FSR) Submitted
2016	Yes	Yes	Yes
2017	Yes	Yes	Yes
2018	Yes	Yes	Yes
2019	Yes	Yes	Yes
2020	Yes	Yes	
2021	Yes	No	

For the 2016 – 2019 grants, the project officer will work with the grants specialist to get these grants closed out in the next few months since EPA has all the closeout documentation. For 2020 and onward EPA will wait for the state to fully draw down the grants, provide closeout documentation, and meet the additional subsidy commitments before closing out the grants.

V. CONCLUSIONS

Overall, the state is implementing a well-organized, well-managed, efficient and effective DWSRF program. EPA commends the New Hampshire DES staff for working diligently to meet their commitments under the base program. The state's goals of addressing risks to public health through the development and implementation of the DWSRF Program appear to have been met while running the program in accordance with pertinent 2 CFR Part 200 administrative requirements for grants to state and local governments.

a. Follow Up from Last Year's PER

No action items were identified in last year's PER.

b. Action Items and Recommendations for this Year's Review

No action items were identified in this year's PER.

VI. ANNUAL REVIEW PARTICIPANTS

Table 9. List of Annual Review Participants

Name and Affiliation	Role/Responsibility	<u>Participation</u>			
		Entrance	Program Interview	Financial Interview	Exit
<u>EPA Region 1</u>					
Mark Spinale	Manager	X			
Sarah Connors	Project Officer	X			X
Carrie Garau	Financial Analyst	X		X	X
Lucy Lao	Financial Analyst	X		X	X

<i>Katie Marrese</i>	DWSRF Coordinator	X	X		X
<i>Brendan Mcinerney</i>	Financial Analyst	X		X	X
<i>Noah Mohl</i>	Financial Analyst	X		X	X
<i>Michael Silano</i>	Project Officer	X			X
<i>Jason Turgeon</i>	Project Officer	X			X

[NH DES]

<i>Johnna McKenna</i>	PWS Sustainability Section Administrator	X	X	X	X
<i>Kathie Bourret</i>	CWSRF Federal Provisions Administrator	X		X	X
<i>Beth Malcolm</i>	CWSRF Administrator	X		X	X
<i>Abby May</i>	Business Administrator III	X		X	X
<i>Tracy Wood</i>	CWSRF Administrator	X		X	X
<i>Brandon Kernen</i>	DW Administrator	X			X
<i>Sue Carlson</i>	Chief Operations Officer	X		X	X
<i>Kimberly Boone</i>	Administrator III	X		X	X
<i>Maureen Simpson</i>	Accountant II	X		X	X
<i>Angela DeKraai</i>	Accountant IV	X		X	X
<i>Parashuram Shrestha</i>	Accountant IV	X		X	X
<i>Rene Pelletier</i>	Water Division Director	X			
<i>Kim Kelliher</i>	DW Infrastructure Funding Manager	X			X
<i>Ted Diers</i>	Assistant Water Division Director	X			
<i>David Cloutier</i>	Program Specialist	X			X
<i>Nina Buckman</i>	State Aid Grant Program Manager				X